April 18, 2008

Ms. Naomi Richman
Chief Credit Officer
Global Public, Project and Infrastructure Finance
Moody's Investors Service
250 Greenwich Street
New York, New York 10007

Re: *Request for Comment: Assignment of Global Ratings to Tax-Exempt Municipal Obligations*

Dear Ms. Richman:

We applaud Moody's movement toward a more transparent use of the global scale rating (GSR) for municipal indebtedness. Such a move would better serve the thousands of state, county, city and special district agencies that finance the backbone infrastructure of America than does the current system.

This firm has served the financing interests of such governments for more than forty years and we have observed over that period that the credit quality of these agencies appears to be regularly devalued by the market because of the uneven application of the rating scale.

A devaluation of the true credit capability of our local governments causes borrowing costs to rise and produces inefficiencies in the market that are impossible to measure and which have real, and adverse, economic impacts on taxpayers.

The recent disruptions in the credit posture of the major bond insurors only accentuates the point: our nation's state and local governments rarely default on their debt, and even in those rare instances when they do, the recovery rates are measurably higher than the recovery rates in the corporate debt arena. Despite this, the market has recently experienced significant erosion of the credibility of the rating process due to risky mortgage securities having been insured to the highest rating levels based on criteria that are non-transparent to the typical investor.

The bond insurors' exposure to non-municipal debt and the systemic dislocations of that credit risk caused by the crisis in mortgage lending, now place the municipal borrower – no matter how large or small – at further disadvantage in the market because of the weakened credibility of the rating system.

We encourage Moody's to consider the following changes to its assignment system:

1. Assign the GSR at the request of the issuer (and without further cost), so that it can be uniformly disclosed to all investors in municipal debt, regardless of experience level or access to Moody's subscribed-for information; <u>or</u>

2. Permit the issuer paying for the rating services the option of taking the GSR rating level alone.

We believe that the introduction of "graduations" or similar modifiers puts your agency, and the market, at risk of developing the impression of greater precision than is ever feasible in credit analysis. The assignment of a credit rating is inherently a judgment call. However, the differentiation between types of issuers inherent in the GSR needlessly confuses the true worth of that judgment.

The facts of many years of history remain indisputable: municipal governments are better credits than the current rating system would indicate. Consequently, we believe that the market's longer-term interests are best served by working to reduce or eliminate as many ambiguities in rating classifications as possible. Your request for comments is an important first step. The steps described above support that process. We also encourage you to consider carefully the comments made to you by California Treasurer Bill Lockyer in his letter dated April 2, 2008.

The integrity of the market for municipal debt requires a rating system that is fair, unbiased and consistent. That approach is the embodiment of the Moody's rating philosophy since John Moody first rated default risk on railroad securities more than one hundred years ago. We encourage you to promote those values in this era through a clarification of the process and the promotion of greater transparency. We are committed to assist you in whatever way is appropriate in your endeavors. We remain

Very truly yours,

FIELDMAN, ROLAPP & ASSOCIATES

Timothy J. Schaefer
President